
STATEMENT OF J. RICHARD BERMAN
ASSISTANT INSPECTOR GENERAL FOR AUDITS
U. S. DEPARTMENT OF HOMELAND SECURITY
BEFORE THE
SUBCOMMITTEE ON EMERGENCY PREPAREDNESS,
SCIENCE, AND TECHNOLOGY
COMMITTEE ON HOMELAND SECURITY
U. S. HOUSE OF REPRESENTATIVES
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Mr. Chairman and Members of the Committee:

Thank you for the opportunity to be here today to discuss our work on the Department of Homeland Security's (the Department's) first responder grant programs. My remarks will focus on our March 2004 report entitled, "Distributing and Spending "First Responder" Grant Funds," and the actions taken by the Department's Office for Domestic Preparedness (ODP), and its Office of State and Local Government Coordination and Preparedness (SLGCP), of which the ODP is now a part, to resolve recommendations made in that report. Our audit covered funds awarded under the FY 2002 State Domestic Preparedness Program (SDPP), the FY 2003 State Homeland Security Grant Program (SHSGP), and the FY 2003 SHSGP Part II.

Generally, we found that states, local jurisdictions, and first responder organizations had been slow to receive and spend ODP first responder grant funds. For example, as of February 2004, of the \$882 million in FY 2002 SDPP and FY 2003 SHGP funds awarded by the ODP, 79% still remained in the U.S. Treasury. Because our report is a year old, we have updated a table showing more current draw down information and attached it to this statement as Attachment 1. As of April 2005, only 19% of the \$882 million has not been drawn down.

We identified numerous reasons for the delayed spending. In some instances, states and local jurisdictions had delayed spending funds pending the completion of state-wide risk assessments and homeland security strategies and the development of detailed spending plans. We also identified numerous other reasons for delayed spending -- some unavoidable but others that could be mitigated. For example, many states and jurisdictions complained of unclear federal guidance, inadequate staffing resulting from the economic downturn and budget shortages, and, in some instances, equipment backorders caused by the same equipment being purchased by our military.

Expenditures do not tell the whole story, however. We also found that while only a small percentage of the funds had been drawn down, much of the remainder had been committed or obligated. In addition, these are reimbursement programs, and some states and jurisdictions had already purchased equipment but had not yet requested reimbursement under the grants.

SLGCP responded positively to our report and agreed with most of our recommendations. In addition, the Department has made considerable progress in responding to state and local government officials' calls for the establishment of a "one-stop-shop" that would consolidate the various preparedness grants into a single, comprehensive program. The Department also created the Task Force on State and Local Homeland Security Funding. The Task Force report, published in June 2004, mirrored many of the findings of our audit. Further, the GAO published a report in February 2005, *HOMELAND SECURITY – Management of First Responder Grant Programs Has Improved, but Challenges Remain*, that documents the Department's progress in many of the areas identified in our report.

Following are the major findings and recommendations we made along with the status of the Department's actions to address them.

Delayed Spending of Grant Funds

We found that state and local government administrative practices often delayed their spending of grant funds. Often, the ability of states and localities to spend grant funds expeditiously was complicated by the need to adhere to state and local legal and procurement requirements and approval processes.

We recommended that the ODP identify and publish best practices that result in faster and more efficient grant processing and spending. For example, identify state procurement practices that result in first responder equipment being supplied in a timely and cost effective manner.

Department efforts are under way to identify and disseminate best practices, including how states and localities manage legal and procurement issues that affect grant distribution. The Department's Homeland Security Advisory Council Task Force stated in its June 2004 report that some jurisdictions have been "very innovative" in developing mechanisms to support the procurement and delivery of emergency-response-related equipment. The task force recommended that, among other things, the Department should, in coordination with state, county, and other governments, identify, compile, and disseminate best practices to help states address grant management issues. The ODP has established a new Homeland Security Preparedness Technical Assistance Program service to enhance the grant management capabilities of state administrative agencies. Also, the Department established a password protected web site, Lessons Learned Information Sharing, which allows states, local governments, and first responder organizations to share best practices.

Need for More Meaningful Reporting by States

Although only a small percentage of the funds had been drawn down, the amount States' reported drawing down did not provide a clear picture of states' actual progress for three reasons. First, some states had obligated and spent substantial amounts but had not yet drawn down the funds. Second, states were inconsistent in how they reported funds as being obligated. Third, 30 of the 56 states and territories reported on a cash basis and did not report obligations at all.

We recommended that the ODP require more meaningful reporting by states so it can track progress more accurately and assist states when necessary. Specifically, we recommended they ensure that the definition of obligation is consistent for both programmatic and financial reporting purposes and require states using a "cash basis" accounting system to report the value of binding agreements to be funded by first responder grant funds. The Task Force also recommended standardized terminology and real-time tracking capabilities.

The ODP has not changed its reporting requirements for obligations. However, starting in fiscal year 2004 and continuing in fiscal year 2005, states are required to submit Initial Strategy Implementation Plans that show how planned grant expenditures are linked to larger projects, which in turn support specific goals and objectives in the state homeland security strategy. In addition to these plans, the ODP requires states to submit biannual strategy implementation

reports showing how the actual expenditure of grant funds is linked to strategy goals and objectives. While these changes should be helpful, we will continue to follow-up with the ODP on implementing our recommendation to report obligations.

Need for Clear Federal Guidance

State and local officials told us that planning efforts were often delayed because first responders and emergency officials did not have clear federal guidance on equipment, training, exercises, and preparedness levels, making it difficult for them to prioritize their needs.

We recommended that the ODP accelerate the development of federal guidelines for first responder capabilities, equipment, training, and exercises.

In responding to our recommendation, ODP's Executive Director said that, in addition to developing a standardized Weapons of Mass Destruction awareness training program, ODP was developing national performance standards for assessing domestic preparedness capabilities and identifying gaps in those capabilities. Homeland Security Presidential Directive-8 called for a new national preparedness goal and performance measures, standards for preparedness assessments and strategies, and a system for assessing the nation's overall preparedness. The Department issued an Interim National Preparedness Goal on April 1, 2005. . The goal is a product of a capabilities-based planning process that led to the identification of core capabilities that the Nation and its states, communities, and citizens need to possess. By mid-April 2005, the Department plans to issue detailed instructions on how communities can use the Goal and a description of how the Goal will be used in the future to manage Federal preparedness assistance. For FY 2006, states and urban areas are to update their Homeland Security Preparedness Strategies to reflect how they will address seven National Priorities in order to receive further Federal preparedness assistance. These priorities include: 1) implement the National Incident Management System and National Response Plan; 2) expanded regional collaboration; 3) implement the Interim National Infrastructure Protection Plan; 4) strengthen information sharing and collaboration capabilities; 5) strengthen interoperable communications capabilities; 6) strengthen capabilities for detection, response, and decontamination of chemical, biological, radiological, nuclear, or explosive materials; and 7) strengthen medical surge and mass prophylaxis capabilities. For FY 2007, states and urban areas will need to revise their Homeland Security Preparedness Strategies to align with the Final National Preparedness Goal in order to receive further Federal preparedness assistance. The Department plans to issue the Final National Preparedness Goal and a Target Capabilities List, updated to include the target levels of capabilities, on October 1, 2005.

Need to revise the 45 day Transfer Rule

Fiscal year 2003 appropriation language required states to transfer grant funds within 45 days of the funds being awarded by the ODP. We found no evidence that the 45-day transfer rule sped up spending. States met the requirement by declaring funds obligated once they decided how they would distribute them to jurisdictions. The rule did not get the funds into the hands of the jurisdictions or streamline burdensome administrative processes.

We recommended that the ODP seek a legislative change to revise or eliminate the 45-day transfer rule to allow more time for planning.

The requirement was lengthened to 60 days by the fiscal year 2005 appropriation (House Conference Report 108-774).

Formal Grant Monitoring System Lacking

At the time of our audit, the ODP had not implemented a formal grant monitoring system, and ODP staff had not conducted frequent field visits to monitor grant recipients.

We recommended that the ODP publish program monitoring guidance and ensure that states report their progress in achieving program and performance goals and objectives. We also recommended that the ODP monitor state oversight of local jurisdictions' compliance with grant requirements, and develop performance standards that can be used to measure the overall success of the grant programs, including baselines against which to measure progress.

The ODP updated its grant-monitoring guidance in fiscal year 2004 and established new monitoring goals. According to the guidance, at least one office file review and one on-site visit should be completed for each state each fiscal year. In addition, the requirements for Initial Strategy Implementation Plans and biannual strategy implementation reports, discussed earlier, should improve monitoring. As of September 2004, the ODP had filled 138 staff positions, as compared with 63 filled positions at the end of fiscal year 2003. That should help alleviate the staffing shortages that contributed to ODP's inability to conduct frequent grantee monitoring.

Approved Equipment Lists Change Each Year

The approved equipment list changed each year, generally broadening the selection of equipment permitted. State and jurisdiction officials complained that keeping track of what could be purchased with each grant was confusing and time consuming. We agreed and saw no reason that a single list could not be applied to all years.

We recommended that the ODP allow states to use the most recent ODP-approved equipment list when purchasing equipment with prior-year grant funds.

However, the ODP did not agree with our recommendation, stating that "allowing grantees to use current or future equipment lists that may differ from those provided by ODP in previous years will ultimately have a negative impact upon accounting practices, vendor selection, equipment maintenance, and training and calibration programs managed by ODP grantees." We will continue to look at this issue as we continue our audits of state and local spending of first responder grant funds.

Consolidation of Preparedness Grants Under SLGCP

The Department has made considerable progress in consolidating grant programs into a one-stop-shop for states and local jurisdictions. In developing and implementing a national program to

enhance the capacity of state and local agencies to respond to incidents of terrorism, the Department has integrated numerous distinct, yet related, preparedness grant initiatives and programs into a single program under the auspices of SLGCP. Under the \$2.6 billion Fiscal Year 2005 Homeland Security Grant Program, SLGCP consolidated the application process and administration of six programs: State Homeland Security Program, Urban Areas Security Initiative, Law Enforcement Terrorism Prevention Program, Citizen Corps, Emergency Management Performance Grants, and Metropolitan Medical Response System Program Grants. Attachment 2 lists the Department's major preparedness grant programs, including those still outside SLGCP.

Although SLGCP has program management and monitoring responsibility for grants awarded under the Fiscal Year 2005 Homeland Security Grant Program, it relies upon the Justice Department's Office of the Comptroller for grant fund distribution and assistance with financial management support. In the Department's 2004 financial statement audit report, the independent auditors noted that SLGCP management was not actively involved in the financial reporting of its activities and had not obtained a thorough understanding of the control activities over its financial reporting process performed by the Justice Department. As a result, SLGCP lacks assurance that the processing of its financial activities coincides with its business operations, are reported accurately, and controlled properly.

That concludes my prepared remarks, Mr. Chairman. I will be happy to answer any questions you or the members may have.